

Sales Tax Review on Book Sales by Libraries and Friends of the Library

Municipal Corporations

IC 36-12-2-2 states that public libraries are municipal corporations as defined in **IC 36-1-2-10**. "Sales to and by Indiana State and Local Governments and the United States Government and Its Agencies" bulletin found online at <http://www.in.gov/dor/reference/files/sib04.pdf>

Proprietary Activities

Sales and purchases of tangible personal property by public libraries are subject to Indiana sales/use tax if these transactions relate to proprietary activities.

Proprietary: not necessary in the performance of a library's governmental functions of lending books, providing reference materials, providing access to the internet, providing free public meeting space, etc

Or competing with private sector

Taxable Event in a Public Library:

- Library Branded Items are taxable
- Meeting room taxable unless it is a non-profit user

BOOK SALES

IC 36-12-3-5 Real or personal property; acquisition; disposal

Library Board may transfer property to non-profit with following restrictions

- Indiana non-profit, tax exempt 501c3
- Benefit library organization

Non-Taxable Event

If a library sells its own books,

- That revenue needs to be receipted to the operating fund. If the books are given to a Friends Group that sells the books and then gives the proceeds back to the library, those proceeds could go to a gift fund.
- Books would be considered surplus personal property which would be subject to the bid thresholds in IC 5-22-22. The threshold is \$5,000 from the sale.

Used books are not purchased for resale and therefore are not taxable if sold by library.

Library Store Operated by Friends of the Library with 501(c)(3) Status

Application of Sales Tax to Nonprofits "bulletin is found online at <http://www.in.gov/dor/reference/files/sib10.pdf> Taxable merchandise like any store

Taxable Event

Used books sold by Friends of the Library are taxable if an organization conducts sales or fundraising activities during 31 or more days in a calendar year (not necessarily consecutive), the organization is a retail merchant and must collect sales tax on all sales made during the calendar year.

How to Register with DOR to Collect and Pay Sales Tax

To collect sales tax must register with the Indiana Department of Revenue by filing form BT-1 at a district office or on-line at the INtax Indiana Tax Center: <https://secure.in.gov/apps/dor/bt1/>

Nonprofits must also register with the nonprofit section of the Indiana Department of Revenue.

For More Information from Department of Revenue on "Running a Nonprofit in Indiana" go to <http://www.in.gov/dor/4145.htm>

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